

**REGULAR STATE CREDIT UNION BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**September 7, 2012**

The regular meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:30 a.m., Friday, September 7, 2012, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)  
Paul Brucker, Member (*Office*)  
Melanie Stillwell, Member (*Williston*)  
Steve Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Janilyn Murtha, Assistant Attorney General (*Office*)  
Doug Wolf, Bismarck (*Office*)  
Mary Hagen, Freedom Community CU (*Fargo*)

**APPROVAL OF MINUTES**

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on June 22, 2012, and the special meeting held on July 25, 2012.

**It was moved by Member Brucker, seconded by Member Tonneson, and carried by a vote of 4 to 0, to approve the minutes of June 22, 2012, as amended, and the minutes of July 25, 2012, as presented.**

## **FREEDOM COMMUNITY CREDIT UNION, FARGO – APPLICATION TO ESTABLISH A BRANCH IN FARGO**

Chairman Entringer indicated the Department received blueprints for a new branch to be established by Freedom Community Credit Union, Fargo (FCCU) approximately two weeks ago; however, the application to establish a branch was not received at that time, the application was emailed to the Department on September 4, 2012. Chairman Entringer indicated Mary Hagen, CEO, of FCCU discussed the publication requirements for notice of the branch application with Assistant Commissioner Webb and since the publication indicated this branch application would be acted on by the State Credit Union Board during today's meeting, this item is being added to the agenda.

Chairman Entringer reviewed his Memorandum dated September 4, 2012, indicating that notice of the application was published in the *The Forum*, Fargo (July 23, 2012), *Steele County Press*, Finley (July 27, 2012), *Grand Forks Herald* (July 24, 2012), *LaMoure Chronicle* (July 25, 2012), *Ransom County Gazette*, Lisbon (July 23, 2012), *Traill County Tribune*, Mayville (July 28, 2102), *Sargent County Teller*, Milnor (July 27, 2012), *Valley City Times-Record* (July 24, 2012) and *Wahpeton Daily News* (July 24, 2012). Chairman Entringer indicated the comment period ended on August 31, 2012, and no comments have been received concerning the application.

Chairman Entringer indicated FCCU proposes to establish a branch at 4707 45<sup>th</sup> Street South, Fargo, and that the credit union's field of membership is limited to individuals living within a 75 mile radius of Fargo, North Dakota, and members of their immediate families.

Chairman Entringer stated the projections in the application indicate the branch is not expected to show a profit until the third year of operation, and the projected losses are projected to have a negative impact on the earnings of the credit union. Chairman Entringer continued that the projections reflect a decline in the equity ratio for the first three years of operation of the branch; however, the projections assume a 5% increase in the NCUSIF Stabilization Fund assessment for the second and third years.

Chairman Entringer indicated North Dakota Century Code Section 6-06-06(9) states a credit union may invest in a credit union office building including the lot, piece, or parcel of land in which the same is located and in furniture and fixtures to the extent authorized by regulations issued by the State Credit Union Board; and that

the North Dakota Administrative Code limits fixed asset investments to 6% of assets. Chairman Entringer indicated as of June 30, 2012, FCCU had 2.3% investment in fixed assets and the proposed investment in this new location is \$832,783, for a total fixed asset investment of \$1,339,173 or 6.05% of total assets as of June 30, 2012.

Chairman Entringer indicated Mary Hagen, CEO of FCCU, explained the credit union's total assets as of August 31, 2012, were \$22,857,404 and total fixed asset investment including the projected \$832,781 would be \$1,341,863 or 5.9% of total assets.

Chairman Entringer indicated FCCU's Board of Directors approved the branch application on November 29, 2011, and that this application does not include an application to expand FCCU's field of membership.

Chairman Entringer indicated the Department has not received any opposition from another credit union concerning the branch. Chairman Entringer added that FCCU's membership has been asking the credit union to establish an office in this growing area of the Fargo market, and the branch will enable the credit union to better serve its members and their families residing in and around the area.

Chairman Entringer stated as indicated in the projections, the branch will show a profit in the third year of operation; however, years 1 and 2 of operation are projected to result in negative net income for the credit union as a whole, with the projections forecasting a 68 basis point decline in the equity of the credit union over the projection period.

CEO Hagen indicated FCCU feels the negative impact on any other financial institutions would be very minimal. CEO Hagen indicated that FCCU is a community charter; however, is more about serving current members with controlled growth. CEO Hagen indicated the credit unions in the Fargo-Moorhead area are very supportive of the proposed branch, and FCCU's members have been asking for a branch on the south side of Fargo for approximately five years. CEO Hagen indicated approximately half of FCCU members live in south Fargo and the other half in north Fargo, as well as due to the continued growth in the area they feel this south branch would be advantageous.

Chairman Entringer asked CEO Hagen to address the total investment in fixed assets, and CEO Hagen indicated the investment is very close to the 6% requirement; however, this is the highest projected cost. CEO Hagen indicated the

construction company has projected the worst case scenario, so the cost will not be more than projected, and possibly 10% less.

When Chairman Entringer asked CEO Hagen if she has received any written comments regarding the branch, she indicated no written comments regarding the branch application have been received; however, she has discussed the proposed branch with Gloria Schmunk, Manager of United Savings Credit Union, who indicated she has no objection to the branch.

Chairman Entringer asked CEO Hagen if the financial projections are fairly conservative and she indicated she does not believe there will be any loss the first three years due to the establishment of the branch; adding FCCU has very experienced staff.

Member Brucker indicated this is an extensive investment according to the size of FCCU, and asked if they have developed a plan on how to ramp up loans in order to generate more revenue in order to avoid the negative impact. CEO Hagen indicated FCCU is very busy with mortgage lending and has a very good mortgage loan officer that will be located in the proposed branch who will generate more income. CEO Hagen indicated FCCU also plans to contact more businesses regarding loans; adding she feels there is exceptional staff experience to generate these loans.

CEO Hagen added in regard to FCCU's strategic plan, the credit union owns the current north location building, but the land is leased until 2022; therefore, they feel the establishment of the south branch will ensure the credit union will always have a branch for its members.

Member Tonneson asked the proposed date for the branch to be established, and CEO Hagen indicated the goal is July 4, 2013.

Chairman Entringer indicated the Department recommends approval of the application by Freedom Community Credit Union, Fargo, to establish a branch at 4707 45<sup>th</sup> Street South, Fargo, and that he is authorized to sign the proposed Order as Chairman on behalf of the Board.

Chairman Entringer indicated he reviewed the conditions of the proposed Order with CEO Hagen, which includes that FCCU cannot exceed the 6% of total assets limitation without obtaining approval from the State Credit Union Board.

Doug Wolf added he was present at the FCCU Board meeting and his understanding that excluding the contents of the building, the credit union is entering into a guaranteed price contract once all the bids are received; therefore, the risk of overrun is eliminated.

**It was moved by Member Tonneson and seconded by Member Stillwell to approve the application by Freedom Community Credit Union, Fargo, to establish a branch at 4707 45<sup>th</sup> Street South, Fargo, and that Chairman Entringer be authorized to sign the Order on behalf of the State Credit Union Board.**

Member Tonneson asked CEO Hagen what additional staff will be needed for the proposed branch, and CEO Hagen indicated three additional staff will be added.

Chairman Entringer indicated from a regulator's prospective the projected decline in the equity is a concern; adding that the projections are hopefully ultra-conservative and will not result in a loss.

CEO Hagen indicated she is confident the branch will not create a loss for FCCU.

Mr. Wolf added that the second year losses are due to the stabilization fund assessment that was projected at 9.5% basis points, based on what the current NCUA assessment is; therefore, if the assessment is less it will create a positive position. CEO Hagen indicated the past NCUA assessment was \$18,000.

**The motion carried by a vote of 4 to 0.**

Mary Hagen left the conference call and Doug Wolf left the meeting at 9:49 a.m.

## **WESTERN COOPERATIVE CREDIT UNION, WILLISTON – ARTICLES OF AMENDMENT TO THE BYLAWS**

Chairman Entringer indicated Western Cooperative Credit Union is proposing to amend Article VI, Section 2, Meeting of Members. The proposal is to change the number of members required to constitute a quorum from 50 to 20. Chairman Entringer indicated this proposed amendment was approved by the membership on March 27, 2012.

**It was moved by Member Brucker and seconded by Member Tonneson to approve the Articles of Amendment to the Bylaws, Article VI, Section 2, Meeting of Members, submitted by Western Cooperative Credit Union, Williston.**

Member Tonneson asked President Stillwell the reasoning to change the required number from 50 to 20, and she indicated within the last two years it has been difficult to meet the quorum at special membership meetings.

**The motion was carried by a vote of 4 to 0.**

## **FINAL APPROVAL OF ADMINISTRATIVE RULES**

Chairman Entringer indicated on August 28, 2012, the Department received a letter from the Attorney General's Office approving the proposed amendments to the administrative rules. Chairman Entringer indicated if the Board grants final approval, the administrative rules will be sent to the Legislative Council and reviewed by the Legislative Rules Committee at its December 2012 meeting, with an effective date of January 1, 2013.

**It was moved by Member Brucker and seconded by Member Stillwell to approve the final administrative rules as provided to the North Dakota Attorney General's Office.**

Member Tonneson questioned the composition of the Legislative Rules Committee, and Chairman Entringer indicated there are 9-10 Legislators on the Committee; adding there are no members from state agencies. Assistant Commissioner Webb indicated the Attorney General's Office reviews the proposed amendments for legality and process, not the substance of the changes. Chairman Entringer indicated the Attorney General's Office does review how the Department and State Credit Union Board considered any comments that were received.

**The motion carried by a vote of 4 to 0.**

## **CREDIT UNION BUDGET UPDATE**

Chairman Entringer reviewed the Organizational Status by Summary Account and Source for credit unions for the month ending June 30, 2012, as presented.

## **BOARD MEMBER**

Member Stillwell asked for an update on Member Watne's replacement on the Board, and Chairman Entringer indicated Greg Tschider is developing a list of possible candidates for consideration. Member Stillwell asked if this member should be a volunteer or employee of a credit union. Chairman Entringer indicated the description is vague; stating this position should be filled by a lay member of the public, implying the individual cannot be an officer of a credit union, as well as should not be a director of a credit union.

Chairman Entringer encouraged the Board to provide any possible candidates to the Department.

## **NEXT MEETING**

The next meeting of the State Credit Union Board will be Friday, December 7, 2012.

**The Board went into closed session at 9:53 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1.**

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary